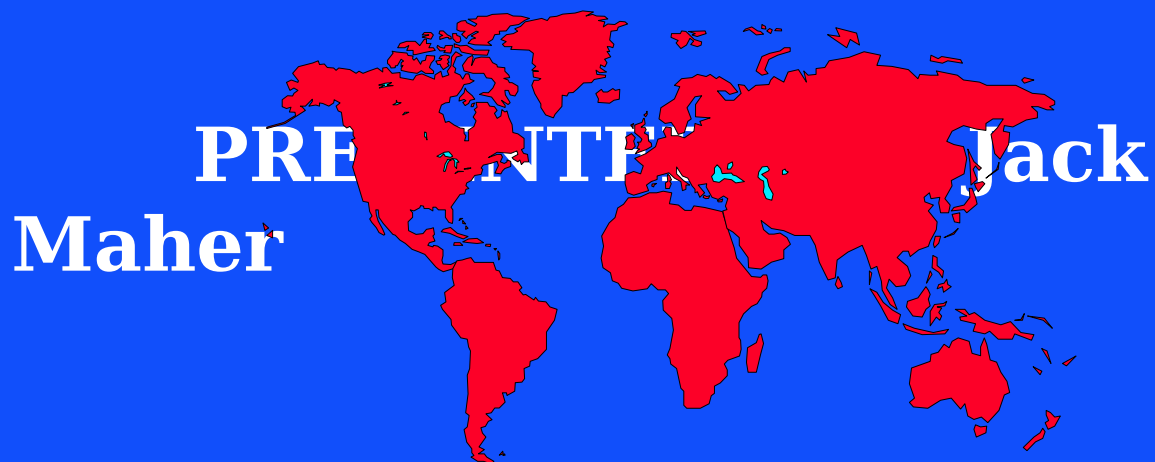




DEFENSE LOGISTICS SUPPORT COMMAND

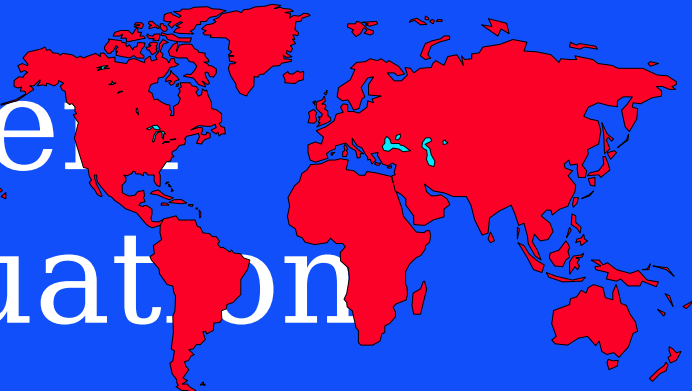
DoD Customs Duty Free Management Process

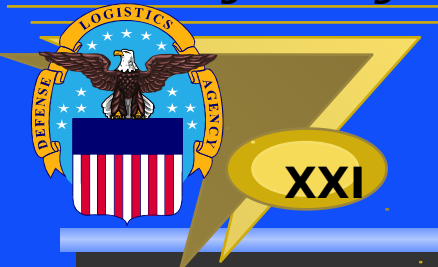




OVERVIEW

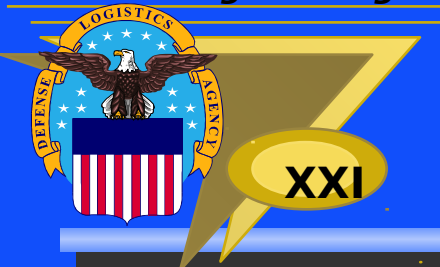
- Background
- Current System
- System Evaluation
- FAR/DFAR Issues
- Conclusion





BACKGROUND

- DoD Customs Duty Free Management Process is Administered by the International Logistics Customs Team at DCMC New York
- DoD Buying Activities Contract for Material Importation (MATIC) OCONUS for Import into the Customs Area of the United States
- Any Items Imported into the United States are Subject to Customs Duty (Tax)



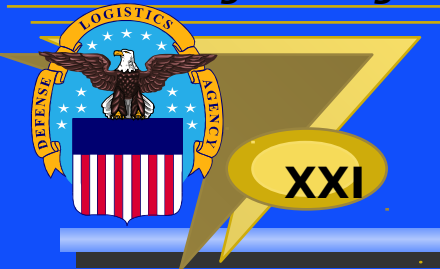
Background Continued

- Department of the Treasury, Customs and Border Protection has an Agreement with DoD to Allow “Emergency War Material” into the USA Duty Free.
- The Original Automated System was Initiated in Oct 90.
- That System is Now Antiquated



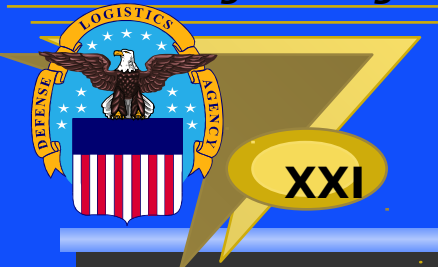
Background Continued

- DCMC-O has Requested that a Full Evaluation of the Customs Duty Free Entry Process be Evaluated by a Contractor.
- That Contractual Process has Begun
- A Full, Unbiased Evaluation of the Process be Accomplished in the 2Qtr, FY 99.
- Some Issues to be Addressed are the North American Free Trade Agreement (NAFTA) and other Trade Agreements such as the Caribbean Basin and Israeli Agreements.



Contracting Responsibilities

- PCO Includes Duty Free Entry Clauses DoD Contract.
- The Contractor Notifies the ACO of the Purchase.
- The ACO Verifies and Notifies DCMC N Customs Team of Duty Free Entitlement Electronically or Hardcopy.



DCMC NY

Responsibilities

- DCMC New York, International Logistics Office, Customs Team, Receives and Enters Notification into Data Base.
- Awaits Arrival of Shipment at US Port
- Receives and Processes U.S. Customs Customs Broker Requests for Certification
- Matches the Contract Number, Contract Expiration Date (Final Delivery Date), Total Dollar Value of All Shipments.



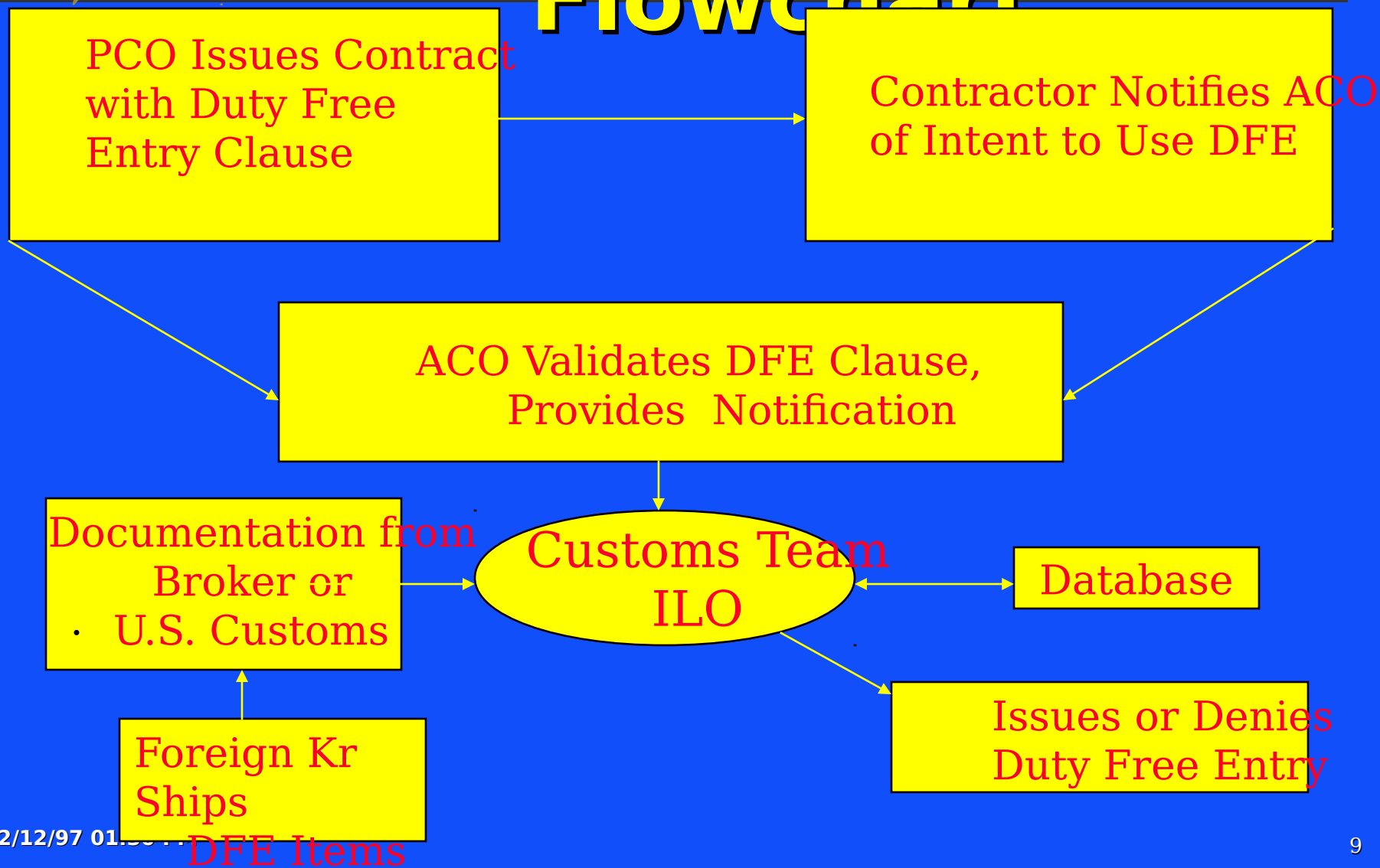
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DCMC NY Responsibilities Continued

- If a Match - Customs Team Issues Dut Certificate.
- If No Match - Customs Team Issues a
- Certification or Denial is sent to Custo
Broker or Customs Form 7501 is sent
the Customs Port.



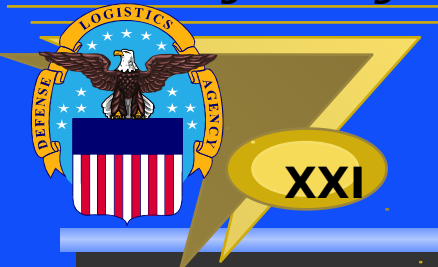
Duty Free Entry Flowchart





Customs Duty Free Entry Management System Capabilities

- Accepts Electronic ACO Notices
- Performs Internal Processing
- Interfaces with U.S. Customs Auto Broker Interface System (ABI).
- Creates a Paperless DCMC/Customs Transaction.
- All DCMD's Online Except Internal



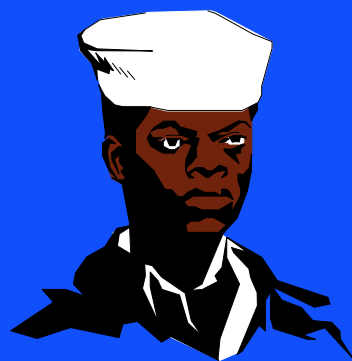
Benefits

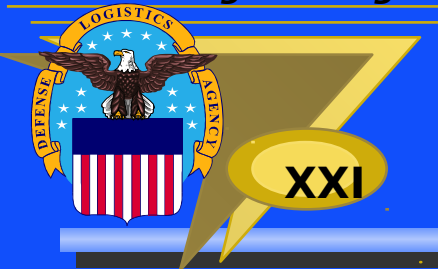
- The DoD Attains a Cost Avoidance Approximately \$28M Annually of Appropriated Funds.
- PCO's and ACO's do not Need to Arrange for Customs Brokers to Import Materiel into the CONUS or Use Appropriated Funds to Pay Duty.



Benefits Continued

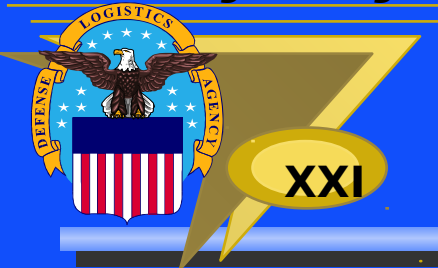
- Ultimately the End User (Soldier, Sailor, Airman, Marine) Benefits Through the Smooth Movement U.S. Government Procured Materiel into the CONUS and Into the Hands of the Customer.





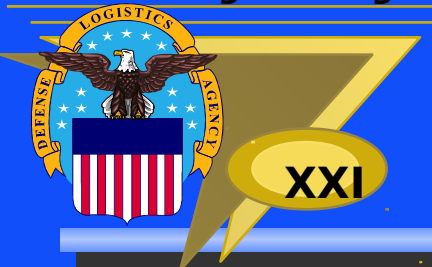
Problems

- DFARS has been Changed to Allow Non-military Entries Under NAFTA Caribbean Basin Countries to Enter Free Without DCMC Processing Be Necessary. However the Contracting Community is Apparently Unaware That Change.



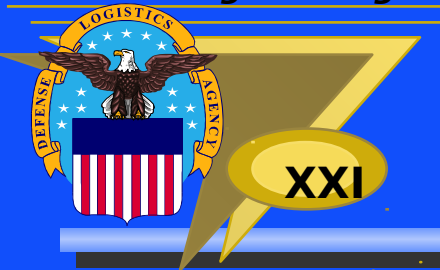
Problems Continued

- FAR 25-605 -- Contract Clause Stat
Contracts Should have a Value over
\$100,000. With an Exception if
Consistent with FAR 25-602.
- Some Recent Contract Entries hav
for Contracts Valued at \$122, \$100
Dollars Etc.
- Administrative Costs Exceed the V
of these Contracts.



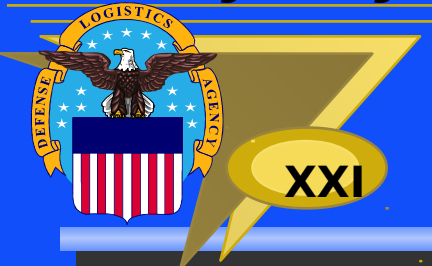
Problems Continued

- Canadian Contracts are Loaded in M and Automatically Routed to DCMC for Duty Free Entry Processing when DFARS now Allows Duty Free Entry Under NAFTA.
- Due to Personnel Downsizing of the Customs Team, Workload Problems would be Somewhat Alleviated if Some of these Issues were corrected.



Conclusion

The Customs Duty Free Entry Process Evaluation will address the origin of the duty free entry, its legislative history, the volumes and value of entries from the various countries, the impact on the utilization of NAFTA and other duty free entry agreements. It also will address the efficacy of the current system, whether it should be replaced, if yes, what system should replace it?



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Conclusion Continued

The military services benefit from not being required to pay customs duties on the materiel they procure overseas. The coming evaluation should determine if any the continuing process should

